



▶ The “it’s always bigger in Texas” way of thinking faces a stern test when it comes to scarce water resources and how the state allocates them.

Texas’ growth prospects depend in no small measure on ensuring durable and ample infrastructure—whether it be roads, bridges, electricity generation or water delivery. As Keith Phillips, Edward Rodrigue and Mine Yücel highlight in this issue of *Southwest Economy*, the “it’s always bigger in Texas” way of thinking faces a stern test when it comes to scarce water resources and how the state allocates them.

Here in the fast-growing but thirsty Southwest, the water problem is not just a result of the ongoing drought. Supplies and allocation methods have proven insufficient to keep up with demand. Although finding a way to increase resources would help, we also must better apportion what we have to more effectively meet our needs.

The “rule of capture” establishes ownership of natural resources that include groundwater in aquifers, plus oil and gas. The general rule is that the first person to capture a resource—in this case, drill and tap underground water—owns it fair and square. Without defined property rights, a shared resource is often overused—something economists call the “tragedy of the commons.” By comparison, the state owns and administers surface water, which is collected in the state’s man-made lakes for eventual use in many of our cities.

Establishing a mechanism for the exchange of groundwater—especially in farming—would introduce water markets that could give people the option to buy, sell or lease water rights and enable more efficient allocation, use and pricing. Property rights can establish ownership and markets can set prices to reflect potential users’ value for water.

It is encouraging that some regions are already using such market principles to manage their resources. Examples are the system governing the Edwards Aquifer in Central Texas and the water market in the Lower Rio Grande Valley.

We are justifiably proud of the opportunities that Texas affords to those with the vision and know-how to pursue them. That same kind of creative thinking will be necessary to help craft a market-based, comprehensive water solution that secures and allocates resources in the years to come.

A handwritten signature in black ink that reads "Richard W. Fisher". The signature is fluid and cursive, with the first name "Richard" being more prominent.

Richard W. Fisher  
President and CEO  
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